

*The Effectiveness of Business Support in Overcoming Barriers Facing Bahraini SMEs:
The Development of a Business Support Effectiveness Index*

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Abstract

Aim of the paper: Building on prior ICSB papers (Alrabeei, 2003; Alrabeei and Scott, 2011), this study aimed to investigate and critically analyze, compared to international evidence, the effectiveness of business support in overcoming the barriers to growth of small and medium-sized enterprises (SMEs) in the Kingdom of Bahrain. To achieve this aim, an index to measure the effectiveness of supporting organizations has been developed.

Background: As well as extensive prior research on barriers to growth, evidence on how business support overcomes such barriers and the effectiveness of the support is more limited. This study aimed to address this gap in the literature. The literature review provides an essential understanding of barriers to growth in different parts of the world (for example UK, EU, and MENA region) and how it has been treated by the different kinds of supporting programmes. Since no studies have been conducted in Bahrain on such a scale, the literature review was conducted in order to create a base for the study of Bahraini SMEs, barriers to growth and the effectiveness of support with the aim of the creation of a business support effectiveness index.

Methodology: The exploratory, mixed methods study utilized data from two focus groups of 10 members, a survey of 200 owner-managers in SMEs and a survey of 19 supporting organizations regarding barriers facing SMEs at the growth stage (see Alrabeei and Scott, 2011) and the support required to overcome such barriers. The data gathered were extracted, analysed and resulted in an effectiveness index created to measure the effectiveness of support to SMEs.

Results: Given the barriers to growth for Bahraini SMEs (scarcity of qualified human resources, lack of finance, fierce competition and bureaucracy/fees from government (Alrabeei, 2013) and the available support programmes but a lack of awareness amongst SMEs, the business support effectiveness index showed that supporting organizations had different scores of effectiveness based on indicators such as the number of supporting programmes provided, SMEs' awareness of their services, their target in SMEs' sector, and the measurement of the effect of support.

Implications: The study has developed a novel business support effectiveness index.

Value: Provides an innovative new business support effectiveness index that is applicable to other international and institutional contexts.

1. Introduction

Small and Medium-sized Enterprises (SMEs) have been regarded as an engine of growth as this size of firm is the largest provider of employment, especially of new jobs, in most countries. SMEs are also a major source of technological innovation and new products (Fan, 2003). SMEs are essential for a competitive and efficient market and, in a sense, those SMEs with high turnover and adaptability play a major role in removing regional and sectoral imbalances in the economy, whilst the easy entry and exit of SMEs make economies more flexible and more competitive, a large number of SMEs creates competitive market pressure, and SMEs also play an essential role as subcontractors in the downsizing, privatization and restructuring of large companies (ibid). Jiantuo et al. (2007) explained that the development of the SME sector in less developed regions not only reduces poverty by expanding employment, but can also increase income by establishing and strengthening the relationship between SME owner-managers and outside markets, expanding the industrial and value chains, increasing value added and opening rural households to new economic opportunities.

Gulf Cooperation Council (GCC) countries, including Bahrain, depended on oil as their main source of revenue for the economy; however, the strategy has been changed and concentration is now on economic diversification to generate a stable and sufficient income and to create more job opportunities (Hvidt, 2011; Fasano and Iqbal, 2003) and, for these reasons, SMEs become more important and could be an alternative substitution for oil in the GCC countries in the future (Entrepreneurs Forum, 2012). SME competitiveness has been researched heavily – factors which make some SMEs successful, while others failing to grow have been investigated (Jones and Tilley, 2003). There is no consistent pattern to the characteristics which contribute to business competitiveness, success and growth despite the fact that many factors have been hypothesized in different studies (Ray, 1993; Gibb, 1996).

SMEs play a particularly important role in developing countries, and Bahrain is not an exception in this regard. According to its Economic Development Board (EDB), which is the agency responsible for economic development, SMEs or what are specifically defined here as Micro, Small and Medium-sized Enterprises (MSMEs) represent 99% of Bahraini companies (EDB, 2010). Despite the significant role that SMEs play in the growth of the economy, very limited scholarly work has been conducted on this topic in Bahrain.

Barriers to growth are those internal or external conditions that constrain growth potential in firms that wish to grow (Storey, 1994). The importance of growing SMEs within Bahrain is similar to other parts of the world, which is the ability of such firms to provide more employment through job creation and, therefore, combating unemployment (OECD, 2002; Storey, 1994; Lyons and Bailey, 1993; Higham, 1993; Birch, 1979), especially after the saturation of jobs in the public sector in Bahrain. Many conferences, seminars and workshops have been carried out in Bahrain regarding entry barriers, and also bearing in mind the argument made by gurus of the SME field, such as Storey, that policies intended to increase the formation rate of new firms are unlikely to be as cost effective with public funds as policies to enable growing businesses to grow somewhat faster (Storey, 1993).

Business support has different forms in different countries (Mole et al., 2009). Business support services in Bahrain are provided by both government and non-government organizations to promote SMEs, and to help owner-managers to overcome barriers usually facing them in the life cycle of their firms. Bahrain has many supporting organizations ranging from banks specialized in financing SMEs to societies tackling different business aspects, enabling programmes provided by Tamkeen (an organization that was assigned by the government to support SMEs), universities and training organizations, as well as consultants. Despite the fact that many organizations are working to support SMEs, no real measures of how effective those supporting organizations were in place. This study aimed to investigate and critically analyze, compared to international evidence, the effectiveness of business support in overcoming the barriers to growth of small and medium-sized enterprises (SMEs) in the Kingdom of Bahrain. To achieve this aim, an index to measure the effectiveness of supporting organizations has been developed.

The study is exploratory in nature, and is an attempt to fill the gap in the research area of SMEs in the Kingdom of Bahrain, and includes only enterprises defined and registered as SMEs by the Ministry of Industry and Commerce. The significance of this study on the effectiveness of business support in overcoming barriers facing Bahraini SMEs can be gauged through the consideration of the following:

1) SMEs constitute a crucial component of the Bahraini economy with 99% of all businesses being in the SME sector, 2) lack of national and/or regional studies on the SME sector (characteristics, structure, underlying barriers, institutional support structures, policy), 3) lack of published data on barriers and challenges faced by Bahrain's SMEs especially at the growth stage, 4) the topic is consistent with the efforts and initiatives of Bahrain's Government towards the Economic Vision 2030 (Vision 2030, 2010), 5) the research will provide suitable recommendations to assist policy makers in their decision-making, 6) the research will also guide supporting organizations with recommendation for better support to SMEs, and 7) the research will provide a basis for an effectiveness measurement tool.

The paper is structured as follows. 2: Literature, 3: Methodology, 4: Results, 5: Index, 6. Conclusions

2. Literature review and conceptual underpinning

2.1 Growth of SMEs and barriers to growth

According to Smallbone et al. (1995), firms do not move through a series of stages in an incremental fashion; rather growth occurs as a result of many linked factors (Perren, 1999). The success and, therefore, competitiveness, of any business is dependent on a range of situational and contextual factors (Fielden et al., 2000). In a comprehensive review of the SME growth literature, Storey (1994) has concluded that the growth process of small firms is driven by a combination of three components. These are a) the characteristics of the owner-manager, b) the characteristics of the small firm and c) the range of business development strategies (ibid). According to Barkham et al. (1996), these three components are not mutually exclusive and many effects combine in a number of ways to influence growth in SMEs. Also the evidence points towards a complex set of interrelated factors that increase or decrease the probability that an individual will establish a successful and growing small business (Stanworth and Gray, 1991; Jones and Tilley, 2003).

Barriers to growth are defined as those internal or external factors or conditions that constrain growth potential in firms that wish to grow (Storey, 1994). Because the literature on Bahraini SMEs is somewhat limited (except for Alrabeei & Scott, 2011, Alrabeei, 2003; Alrabeei, 2011, Alrabeei, 2013; MOIC, 2010; LMRA, 2010; TAMKEEN, 2010; and GOIC, 2010), studies of small businesses in other countries are reviewed for a more comprehensive understanding of this study's topic.

The barriers to growth literature has been classified by Barber et al. (1989) under three headings: (i) management and motivation, (ii) sources, and (iii) market opportunities and structure. Barriers to growth have also been categorised as either internal to the firm, such as low levels of motivation, or external to the firm, such as a shortage of finance, government controls and a lack of skilled labour (Storey, 1994). Whatever classifications are used, the most important challenge is to identify the real barriers and overcome them with effective support programmes.

In the UK context, Storey (1994) suggested the five most frequently identified barriers in Table 2.1.

Problem area	Comments
Labour force	Consistent problems
Premises	Not now in general
Finance	In general, not a constraint but problems with high-tech firms, small sums of venture capital, and overbanking relationships
Owners	Motivation
Management teams	Skill in developing teams is important for those wishing to grow

Table 2.1 Barriers facing growing small firms (Storey, 1994)

A number of studies have mentioned that firms that wish to grow frequently confront barriers, such as an inability to recruit and develop suitable employees (Aston Business School, 1991; Cambridge Small Business Research Centre, 1992), supported by Atkinson and Meager (1992) (cited by Storey, 1994). Many studies identified a shortage of premises as a key constraint upon the development of SMEs (Williams, 1980; Coopers & Lybrand, 1980), leading to an extensive programme of primarily public provision of new and converted premises for smaller businesses and the problem has been improved

since then (Storey, 1994). Labour force (Storey, 1994) and finance problems (Brophy, 1997) were consistently identified as major barriers to the growth of SMEs, but do vary from one geographical location to another, from one business type to another, and also according to the nature of macro-economic conditions. Curran et al. (1991) address the key question of the motivations and aspirations of owners, pointing out that owner-managers come from a wide variety of backgrounds and establish a business for a variety of different motivations.

Cambridge Small Business Research Centre (1992) undertook a survey of 1933 businesses and, in terms of barriers that they faced, most perceived barriers for SMEs to relate to matters of finance, followed by the level of aggregate demand in the economy and the nature of competition within the market place.

Jones and Tilley (2003) summarised key barriers to growth, in general, as a combination of internal factors, an unwillingness to delegate or to bring in external skills, and external factors including finance, employment and competition (Storey, 1994), poor products and inefficient marketing (Cromie, 1991; Smallbone, 1991; Hall, 1992; Watson et al., 1998).

The latest empirical results from the International Monetary Fund suggested that the key direct barriers to growth in the MENA region are (a) difficulties in access to finance, (b) labour skill mismatches and shortages, and (c) electricity constraints (Bhattacharya and Wolde, 2010). Other studies have concluded that labour skill shortages are a key barrier to growth in the MENA region. Page and Gelder (2001), for example, argued that a prominent feature of the MENA economies, inherited from the past experience of development, is the low stock of labour skills and human capital compared to other countries with similar levels of per capita income.

2.2 Business support

Business support has different forms in different countries, which is either direct free financial assistance, subsidised assistance to encourage human or physical capital, export assistance, new technology assistance and advisory services to improve SMEs (Storey and Tether, 1998), business support provided by the public sector or through consultants and advisors in the private sector, the latter being more expensive than the former as it depends merely on highly paid human resources obtaining their money from charges of the service provided to SMEs. Governments usually utilise taxpayers' money to provide business support but how intensive that support should be is hotly contested (Mole et al., 2011; Storey and Tether, 1998). The literature has shown that most countries which are members of the Organization for Economic Co-operation and Development (OECD) provide advisory support to small firms (OECD, 2002). In England, publicly supported advice to small firms has gone through different stages, including the recent announcement of Local Enterprise Partnerships (LEPs) instead of earlier Regional Development Agencies (RDAs) (Thompson et al., 2012). In the US, the national and local Small Business Association(s) (SBA) are the main business support to SMEs. Professional and trade organizations that offer support programmes and services targeted for specific industry, local and regional banks that offer lending packages, as well as angel investor networks (SBA, 2009). Schemes of support are different and vary geographically. Dennis (2004) suggests that most EU countries have a compensating policy regime because they tend to spend considerable amounts of taxpayers' money – high direct assistance – in providing 'hard' and 'soft' support to SMEs. 'Hard' support includes grants and loans, while 'soft' support comprises advice and training. The European Union (EU) has also high barriers because it has a high level of regulation. A different approach is adopted in US, where direct assistance is low but also the entry barriers for businesses were low (Storey and Greene, 2010).

2.3 Effectiveness of business support

There is plethora of research on business support, policies implemented and programmes created in different countries in order to improve the performance of SMEs. It seems that the studies concentrated on the supply side of the support, focusing on the programmes offered, on what criteria they were selected, to which type of clients, the process, delivery and how to improve delivery. Indeed, some literature concentrated upon best practices and evaluating programmes that are being, or have already been, delivered.

The methods of evaluating such support programmes have been criticized by Storey (1998), in which he mentioned disappointment about the methods of evaluating effectiveness, which the academic community was slow in addressing, emphasizing that, prior to evaluating the effectiveness of any support programme, there is an "absence of clearly specified objectives" in public policies to assist SMEs, and he reiterated that objectives should be "specified in quantitative manner" in the form of 'targets'. There is limited research on the needs of SME owner-managers, i.e. the demand side, suggesting that more investigation is required in this area, with Lewis et al. (2007) mentioning that the demand side can include the use of sources of

assistance, its frequency of use and its perceived usefulness. Although efforts made towards supporting SMEs is appreciated, the focus on investigating the supply side (programmes offered) to the detriment of the demand side (owner-managers of SMEs) could create a mismatch between what has been offered and what is required by SMEs (Storey, 2002). Studies related to demand side concentrated on issues, such as the effect of gender on training and advisory services, similar characteristics of owner-managers affecting their support choices and the impact of their personality upon support uptake (Carter, 2000; Nelson, 1989; Pernilla, 1997; Audet and St-Jean, 2007; Stanger 2004; Lewis and Massey, 2003; Lewis et al., 2007).

The interaction between the supply and demand sides of business support has also had some attention in the literature, such as SMEs seeking support from supporting organizations, in which strategy and planning were the main supporting issue required (Chrisman and Leslie, 1989). Research on owner-managers' sources support include Bennett and Robson (1999) who found that accountants were among the highest category, confirmed by Gooderham et al. (2004), and with consultants having the second rank after accountants in their search for support (see also Johansson, 2004; Nahavandi and Chesteen, 1998). Research also focused on the demand from certain types of SMEs for specific sources of support, while other contributions examined the owner-manager in relation to his or her support choices (Lewis et al., 2007). The literature has explained different stages of firm age and support required (Le and Nguyen, 2009). McGee and Sawyerr (2003) concluding that young SMEs rely heavily on external support, while more mature SMEs depend more on internal sources. The advancement in support uptake by owner-managers was clearly identified by Bennett and Robson (1999), observing that the resource-based theory of the firm indicates that SMEs seek advice in order to increase their competitive capacity. Increasing competition between SMEs will lead to a corresponding rise in the use of advice, but there were fears by owner-managers that using external support would cause them to lose control and also because of their lack of information on where to go for support (Storey, 1994). A study of 2,547 SMEs in the UK showed an increase of external support required from 85.8 per cent in 1991 to 95 per cent after 7 years (Bennett and Robson, 1999).

Improving effectiveness of support has been researched, for example, by Dadashev et al. (2003) for Russian firms, Klonowski (2010) for SMEs in Poland, and also Smallbone et al. (1993) who studied SMEs in three geographical areas in the UK, discussing how the effectiveness of the support for growth can be improved, and identifying particular target groups, recognising the value of sector-based support and improving the delivery of consultancy. Smallbone et al. (2008) conducted a survey of the demand and supply side deficiencies in business support in Chengdu, China, finding SMEs that were active users of business development services, reflecting the emergence of non-state owned enterprises in the city, and also finding unfulfilled latent demand, particularly in terms of sales and marketing advice and helping firms to access sources of finance. In addition, their survey of business development services providers showed that some were sensitive to the needs of SMEs, although the latter were typically under-represented in their client base (ibid). Lewis et al. (2007) mentioned that, despite all the contributions of research on business support, a limited understanding of the support needs of owner-managers – and whether the kind of support provided will make them successful or not – still remains.

3. Methodology

The methodology of this study adopted the following approach:

- 1- *Literature review* on SMEs' barriers to growth and the effectiveness of business support services, which has been done both locally in Bahrain and internationally, using books, published papers, journals, and reports published by different authorities in Bahrain to collect as much information as possible in the field of current study.
- 2- *Administration of two small focus groups* (10 persons per group) to understand barriers to growth from the point of view of both owner-managers and supporting organizations. Candidates for focus groups were asked also to identify the support that businesses required during growth, and the effectiveness of current support.
- 3- *Creation of questionnaires* for a detailed study to both owner-managers and supporting organizations to have more insight into the topics of the study (barriers to growth and effectiveness of supporting organizations).
- 4- *Data collection* through interviews with owner-managers and supporting organizations' representatives. In total, 200 owner-managers were interviewed, as well as 19 supporting organizations' representatives.
- 5- *Data analysis* in which data were summarised, refined and analysed to identify a major list of barriers to growth and the support that is required in the future, and that is currently missing, for Bahraini SMEs.
- 6- *An Index* created to show the effectiveness of supporting organizations from the data collected from both owner-managers and supporting organizations' representatives.

As mentioned earlier, this research is an exploratory study due to a shortage of academic knowledge and literature on SMEs in Bahrain. No similar previous studies have been conducted in the country but there was plenty of research in different other parts of the world. The study has followed a mixture of qualitative and quantitative methods to satisfy its objectives (Mullen et al., 2009), as Creswell (2003) suggested that qualitative and quantitative methods can be mixed simultaneously or sequentially.

This study is aimed more towards the concerns and interests of the business community, and thus responding to Tranfield and Starkey's (1998) criticism (as cited by Bryman and Bell, 2007) who argued that "management research has lost touch with [the] concerns and interest[s] of practitioners and researchers must learn how to be responsive to them in order to make their research of a value and purpose".

Focus groups: In order to understand better the Bahraini SMEs' issues and as a pilot study, two focus groups were conducted: one with owner-managers and the other with supporting organizations' representatives. Focus groups can be extremely useful in applied market research studies and have been used to great effect as an exploratory tool in other types of qualitative research (Easterby-Smith et al., 2008). Through the cooperation with the Bahrain Small & Medium Enterprise Society, the members of the two focus groups were identified, contacted and invited. Questions were prepared for the session and candidates were given enough time to intervene and discuss the questions posed. Many themes were identified through these two focus groups, but more insight was gathered on the barriers to growth topic, issues were discussed by both groups and many opinions were given regarding how support can better overcome those barriers. Two focus groups were conducted on January and February 2011, at the premises of the Bahrain Banking and Finance Institute (an independent location). Each focus group discussion lasted for at least two hours.

Survey owner-managers: The results gathered from the earlier focus groups were useful since they gave insight into different issues regarding SMEs' growth and business support, but cannot be generalised since it has a small sample size. It was a pilot study and an introduction for a wider range sample. The importance of this stage (interviews) is summarised by Burgess (1982): 'The interview is ... the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience'.

The following subsections show in some detail this study's process of sampling, questionnaire design and interviewing. The Labour Market Regulatory Authority (LMRA) provided the sample for owner-managers, data requested for SMEs, as per the definition of MOIC, which is 11-50 employees (and up to 100 for the construction sector) for small-sized enterprises and 51-250 employees (and up to 400 for the construction sector) for medium-sized enterprises. The companies who were in the market for fewer than 3 years have been excluded, since the study is about the growth stage and not startup.

The sample is stratified and each company was selected from the beginning of the list and was followed by each fourth row. The aim was to contact only 200 from the sample. The sample reflects all of the categories of SMEs in the Kingdom of Bahrain, as per the commercial Registration classification.

Many questionnaires related to barriers facing SMEs as well as support required have been revised from earlier research documents in the field (Storey, 1994; Storey, 2002; McMahon, 1998; Chen et al., 2010; Fan, 2003; Smallbone et al., 2008; Jones and Tilley, 2003; Thompson and Downing, 2007; Lewis et al., 2007; Mole, 2002; Mole et al. 2006; Mole et al. 2009; Mole et al. 2011; Snyder et al., 2011; Batra and Mahmood, 2003; Lin et al., 2011; Bennett and Robson, 2003; Bennett, 2008; Olsson, 2008; Deakins et al., 2000; Klonowski, 2010; Dadashev et al, 2003; Davey et al., 2001; Foreman-peck et al., 2006; Sousa and Bradley, 2009) and, in addition to the information gathered from the focus groups, resulted in the creation of a questionnaire with 101 questions.

The questionnaire was piloted for 6 owner-managers to identify if there was any problem with the sequence of questions, spaces, formatting, missing questions, etc. After the pilot stage, some questions moved forward for better sequencing as well as some changes in the formatting for better appearance.

200 owner-managers were contacted and visited at their companies to be interviewed and to complete a questionnaire for each one of them. It was decided that owner-managers would be interviewed, rather than just sending them a questionnaire in the mail or email, due to a very low response rate noticed by earlier researchers in different fields of study. Although this problem has created a burden of time and resources, it proved to be the best solution to gather the data from owner-managers.

Every possible effort was made to overcome limitations in this study by dedicating a full six months of interviewer time for the purpose of doing these interviews only. The interviewer also tried his best to explain the purpose of the interview in the communication prior to the interview, which usually took place through a telephone conversation with the owner-manager or his/her secretary.

The average interview time was 50 minutes and interviewing involved many journeys between different areas of Bahrain. In some areas, 5 interviews were conducted per day. The lessons learned in terms of arranging the interviews as their location, for example, shortened the duration of doing interviews and the arrangement of resources (setting specific time for calling owner-managers to arrange interviews early and in the middle of the week) improved as time progressed. The interviews started in June 2011 and finished in October 2011.

Supporting organization interviews: Through discussions with 10 owner-managers and 4 supporting organizations, the task was to select the main supporting organizations in Bahrain. It was decided by participants to choose the following main SME business supporting organizations in Bahrain (the only category being provided for hiding the identity of organizations): Training Institute (2), University (4), Society (3), Authority (5), Bank (2), International Organization (1), Consultancy (2).

The questionnaire related to supporting organizations was designed based on the earlier study of 200 owner-managers in Bahrain, and the two focus groups as well as looking at other questionnaires administered in the business support area from the literature.

19 supporting organizations (mentioned earlier) were contacted and interviewed based on the designed questionnaire during November and December 2011. The representatives of these organizations were contacted for appointments and an email containing interview questions was sent well before the interview, in order to make them well prepared to answer the questions. The interview duration varied between 15 minutes to 72 minutes based, on the interaction of representatives and the depth of answers to the questions posed.

Data analysis

Data collected from 200 owner-managers and 19 supporting organizations were coded, summarised and analysed. Many areas were examined, such as finance, marketing, human resources, government support, technology and other types of support. The main aim was to identify barriers to growth in different areas, as well as the support provided or missing.

Effectiveness index of supporting organizations

An index has been developed, based on the 19 interviews with supporting organizations and part of the data gathered from 200 owner-managers in Bahrain. The index has been created on a 100 points scale based on number of supporting programmes provided, SMEs' awareness of supporting programmes (as seen by the supporting organizations), SMEs' awareness of supporting programmes (as seen by owner-managers), verification by supporting organizations that SMEs were aware of their services, the supporting organizations' targets, market share, the effect of support upon businesses, the measurement of effect, the number of owner-managers that used the services of the supporting organization, and the average weight rated by owner-managers for the effectiveness of the supporting organization.

4. Results

4.1 Barriers to growth

The researcher tried to tackle barriers from two different approaches with owner-managers. The first approach was based on the answers of the focus group participants about barriers and what has been mentioned in the literature review. The owner-managers were asked to rate the following in terms of whether they were obstacles to the growth of the company (Choose: 1 = Not an obstacle ... 5 = Major obstacle) (table 4.1).

	5	4	3	2	1	Average score/5
Ability to hire qualified workers.	110	58	15	8	9	4.3
Local regulations.	74	61	28	15	22	3.8
Ability to obtain capital.	78	46	24	25	27	3.6
Generating new sales.	27	52	73	21	27	3.2
Existing debt load.	28	55	39	28	50	2.9
Lack of confidence in global economic future.	12	35	79	53	21	2.8
Ability to create new products or services.	9	33	82	38	38	2.7
Lack of confidence in national economic future.	13	27	73	55	32	2.7

Table 4.1 Barriers to growth

4.2 Supporting organizations

This section of the interview dealt with issues related to supporting organizations, knowledge of the owner-managers of supporting organizations, programmes provided by supporting organizations, the effectiveness of supporting organizations and the missing support (i.e. which kind of support is required).

Knowledge of supporting organizations: Owner-managers asked if they knew the services provided by some of the main supporting organizations in the Kingdom of Bahrain. Those organizations included banks, government authorities, chamber, incubator, societies, universities, training institutions, consultancy and auditing firms.

It has been felt that results should be anonymised because of the sensitivity of the issues discussed, and since owner-managers were critical about those supporting organizations sometimes.

The results came as shown in figure 4.2. Owner-managers knew these organizations if they used their services or heard about them from colleagues, friends, family members or if they saw an advertisement for these organizations. Some supporting organizations were specialized in their specific sector and they were not known by everybody or they had not done marketing and, therefore, they had not got enough outreach in their business community.



Figure 4.2 Owner-manager knowledge of main supporting organizations in Bahrain

Required support: Owner-managers were asked to: “Prioritize business support required by SMEs according to their importance (1: high importance...4: less importance). The first support required by owner-managers was “capital/finance” with 83 responses, followed by “training” with 67 responses, then “improve stability” with 53 responses and “remove/reduce fees” with 49 responses (figure 4.3).

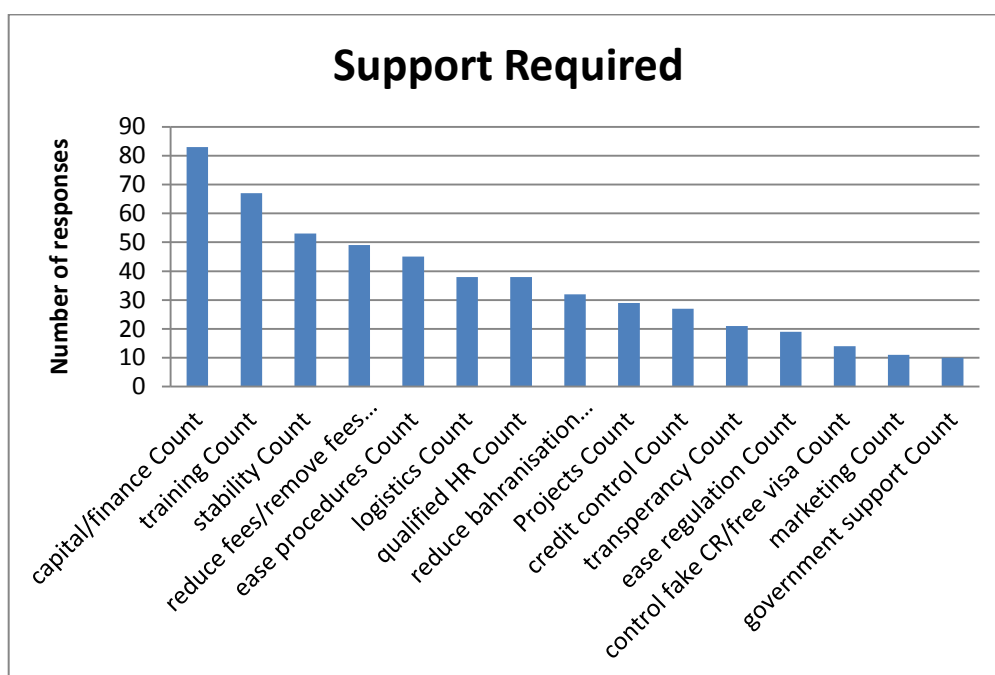


Figure 4.3 Owner-manager opinion of support required in Bahrain

Effectiveness of supporting organizations: Owner-managers were asked to: “mention usage and opinion of the effectiveness of following organization categories in Bahrain”. The results were as follows:

	Supporting Organizations
Banks	197
Societies	26
Universities	20
Training Institutions	61
Government Authorities	199
Tamkeen	115
Chamber	166
International Organization	7
Incubators	6
Consultants	100

Table 4.2 *Supporting organizations usage by owner-managers in the sample*

Table 4.2 shows whether the owner-manager used the service of a supporting organization, and identifies the effectiveness of the supporting organization from the owner-manager's point of view. It can be seen that government authorities got the first rank in usage (199 owner/manager), followed by banks (197), Chamber (166) and Tamkeen (115).

However, if we calculate the effectiveness average score, the results were as shown in figure 4.4. Consultants/auditors came first in the effectiveness (4 out of 5), followed by banks (3.7), training institutions (3.5) and government authorities (3.5). Although government authorities were the first in usage by owner-managers, they were the fourth rank in effectiveness. Only 100 owner-managers used the services of consultants/auditors but they came in the first rank of effectiveness. Banks were in the second rank of usage and effectiveness.

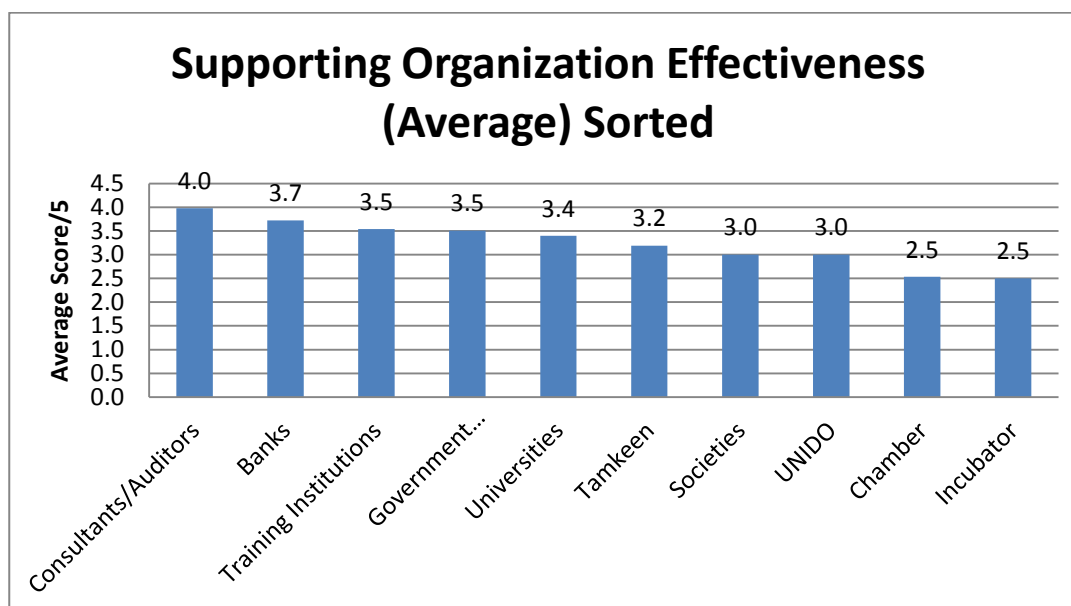


Figure 4.4 Owner-manager opinion of supporting organizations' effectiveness

Interviews with supporting organizations' representatives

19 supporting organizations were contacted and interviewed during the months of November and December 2011, based on the questionnaire that tackled methods of supporting SMEs at the growth stage, awareness, number of organizations served, target group, effect of support on SMEs, measures of support, barriers to growth and the missing support.

Main themes

The main themes of the 19 interviews with supporting organizations were summarized as follows:

There was at least 1 supporting programme in each organization interviewed and a maximum of 13 programmes in one organization. 10 organizations said that SMEs were aware of their services, 3 said No and 6 said that only some SMEs were aware of their services. The approach to making SMEs aware was different among supporting organizations and, while some of them depended on media, others used professional organization referrals, visits, seminars, workshops and marketing campaigns.

10 organizations did not have an original target for the number of SMEs to serve (since they kept it open), 7 organizations defined their original target, and another 2 organizations kept their services available to all SMEs as they were authorities. The achieved target of support varied from as low as 35% to 100%.

Considering the latest statistics from the Labour Market Regulatory Authority that Bahrain had more than 71,000 SMEs, the market share of support provided by each supporting organization was very low, ranging from 0.08% to a maximum of 17%. Supporting organizations provided different ways of support, while some looked at HR, others looked at productivity, resources, outreach, funding, accounting, auditing and growing company from Small/Medium to Medium/Large.

Measurement of the effect of this support was approached in many ways, some supporting organizations used the survey, sales turnover, profits, cost reduction, number of employees, owner involvement, business structure, and 3 supporting organizations said that they did not have any measures for their support.

5. Effectiveness Index

It is interesting to note that there is no scale that measures the effectiveness of the supporting organization. Part of the contribution of this study is an index which has been developed based on the 19 interviews with supporting organizations and part of the data gathered from 200 owner-managers in Bahrain.

This section sheds light on how elements of the index were chosen. Literature has been explored to get the first indication of this index. Awareness and usage of supporting programmes were mentioned heavily in different studies focused on the effectiveness of supporting organizations such as Klonowski's (2010) discussion of the actual use of supporting programmes in Poland and how they have been affected by awareness of such programmes and the actual use by SMEs, as discussed earlier by Storey (1994) when he mentioned that owner-managers lack information on where to go for support. Participants' satisfaction of services provided by a supporting programme, as well as the effect of support on a business and how to measure such effects, were among measures of effectiveness. Setting targets of support by each supporting organization (Storey and Tether, 1998) and the target group (market share) for support has also been identified as measures that affect support effectiveness (Smallbone et al., 1993).

Putting those items mentioned in the literature in mind, discussion of support issues with focus groups and interviews with both owner-managers and supporting organizations led to the formulation of effectiveness index items. Focus groups, for example, touched upon effectiveness in terms of awareness and usage of support by owner-managers. At later stages of the research during the interviews, owner-managers were asked whether they have used the services of specific supporting organizations (the main supporting organizations in Bahrain) and also they have been asked to rate the effectiveness of such organizations.

Supporting organizations' representatives were asked for the type of support provided to SMEs and how many programmes of support were offered, SMEs' awareness of their programmes, how they verify that SMEs were aware of their services, whether there is a specific target made initially for their support, the number of SMEs they served yearly, the effect of their support, and how they measured such an effect. All the above mentioned points from the literature, focus groups discussions and subsequent interviews with both owner-managers and supporting organizations have been transferred as items of the effectiveness index. This index has been given weightings by both the demand and the supply side of support.

Mainly, the concentration of the earlier discussion of support were on programmes offered, awareness, usage, and the effect of support. It is difficult to give specific weight to these areas and, therefore, this study equally distributes 100 points among the main four areas mentioned above. The four areas are: 1) services provided through a number of supporting programmes and their target (25 points), 2) awareness of such supporting programmes by both owner-managers and supporting organizations (25 points), 3) the usage of such supporting programmes by owner-managers, their market share and how effective they are according to owner-managers (25 points), and 4) the effect made due to such support (25 points).

The first 25 points regarding services provided by a supporting organization composed of a number of supporting programmes (item 1) given 20 points and the remaining 5 points given to whether the supporting organization set a target (item 5).

The second 25 points regarding awareness distributed over three items: 10 points for awareness as seen by supporting organization (item 2), another 10 points for awareness as seen by owner-managers (item 3), and another 5 points for verification method(s) used by supporting organizations to make sure that SMEs were aware of their services (item 4).

The third 25 points consisted of 10 points for the market share of the supporting organization in the Bahrain market (item 6), 5 points for the number of owner-managers who used the services of the supporting organization (item 9), and 10 points for the average weight rated by owner-managers for the effectiveness of the supporting organization (item 10).

The fourth 25 points regarding effect of support composed of 20 points for number of effects of support on business (item 7) and another 5 points for method(s) of measuring these effects (item 8).

The index was created on a 100 point scale in a combination of 10 items as follows:

Item 1: number of supporting programmes provided (20 points).

According to our data, the maximum number of supporting programmes were 13 and a minimum of 1 in one supporting organization. It was decided, though, to award 8 points if the supporting organization had 1 supporting programme as a minimum and 20 points if the supporting organization had 13.

Item 2: SMEs' awareness as seen by the supporting organizations (10 points).

If the supporting organization reported that owner-managers of SMEs were aware of the services they provide, then 10 points were awarded; if only some were aware, then 5 points were awarded; but if nobody knew about their programmes, then no points were awarded.

Item 3: SMEs' awareness as seen by owner-managers (10 points).

This data was gathered from the answers of owner-managers about their awareness of the supporting organization. A minimum of 1 point was awarded if less than or equal 20 owner-managers were aware of the supporting organization and a maximum of 10 points if 181 to 200 owner-managers were aware.

Item 4: verification by supporting organizations that SMEs were aware of their services (5 points).

A minimum of 2 points were awarded if 1 verification method was used by the supporting organization and a maximum of 5 points if 4 verification methods were used by the supporting organization.

Item 5: did the supporting organization set a target? (5 points).

If the supporting organization had set a target then 5 points were awarded, but if not then no points were awarded.

Item 6: Market share (10 points).

This measure showed the share of supporting organizations' services in the Bahrain market. First, the average number of organizations served per year was identified and divided by the total number of SMEs in Bahrain (assumed 71,000 based on the latest statistics for 2012 from LMRA). A minimum of 1 point was awarded if the share was up to 0.002 and a maximum of 10 points were awarded if the share was 0.161-0.200.

Item 7: effect of support on businesses (20 points).

The number of effects of business support upon the business was awarded in this part of the scale. A minimum of 10 points were awarded if there was 1 effect upon the business and a maximum of 20 points is awarded if there were 4 effects.

Item 8: measurement of effect (5 points).

This item on the scale tested whether the supporting organization measured the effect of its support or not. 5 points were awarded if 5 measurements were made and 0 points - no measurements were made.

Item 9: number of owner-managers used the services of the supporting organization (5 points).

This data were gathered from owner-managers about the usage of services provided by the supporting organization. A minimum of 1 point was awarded if 1 to 10 owner-managers used the services of the supporting organization and a maximum of 5 points were awarded if 101 to 200 owner-managers used the services of the supporting organization.

Item 10: owner-managers weight of the effectiveness of the supporting organization (10 points).

Data gathered from owner-managers, those who used the services of a supporting organization and who asked to rate it on a scale of satisfaction from 1 to 5. The results were converted to a scale of 10 points.

Implementing the Effectiveness index

The data were transformed as mentioned in the above section. The results of the effectiveness index are summarised in the table 4.3.

Supporting Organization	No of Programmes	Awareness supporting organizations	Awareness owner-managers	Verify awareness	Original Target	Market share %	Effect	Measurement	Owner-managers used services	Average weight	Total (out of 100)
Training A	8	0	9	2	0	2	14	1	1	6	43
Training B	8	0	9	2	5	3	18	4	3	7	59
University A	8	10	9	2	5	2	14	1	0	0	51
University B	8	5	9	2	5	3	14	2	1	8	57
University C	8	5	9	3	0	4	14	4	1	8	56
University D	9	5	9	2	0	6	18	2	2	6.5	59.5
Society A	10	5	9	3	0	1	20	0	0	0	48

Society B	9	10	2	3	5	1	18	2	1	6	57
Society C	12	10	3	4	0	1	20	1	1	4	56
Authority A	11	10	10	2	5	7	14	3	5	7	74
Authority B	11	10	1	3	0	1	20	2	2	7	57
Authority C	17	5	10	3	5	4	20	0	5	6.5	75.5
Authority D	13	10	10	5	0	10	20	2	5	6	81
Authority E	11	0	2	3	5	1	20	4	1	5	52
Bank A	10	5	1	4	5	4	14	1	1	7	52
Bank B	11	10	10	5	0	4	20	5	0	0	65
International Organization	20	10	2	4	5	1	18	2	1	6	69
Consultancy A	17	10	7	2	0	4	18	3	3	7.5	71.5
Consultancy B	12	10	7	2	0	4	10	1	4	8	58

Table 4.3 Effectiveness index results

Index testing with different weightings

It has been mentioned earlier that the 100 point scale was based on 10 items, each one of which has a weight. One can do different trials to enhance this scale. One option has been explored here – by changing the weight of items 2 and 9, for example. The index created has been tested with different weightings in another method, assuming that the earlier method called method 1 and the other tested method was method 2. Both methods' weightings have been included in table 4.4.

Index No	Index	Points in Method 1	Points in Method 2
1	Number of supporting programmes provided	20	20
2	SMEs awareness of supporting programmes as seen by the supporting organizations	10	5
3	SMEs awareness of supporting programmes as seen by owner-managers	10	10
4	Verification by supporting organizations that SMEs aware of their services	5	5
5	Has the supporting organization set a target?	5	5
6	Market share	10	10
7	Effect of support on businesses	20	20
8	Measurement of effect	5	5
9	Number of owner-managers used the services of the supporting organization	5	10
10	Average weight rated by owner-managers for the effectiveness of supporting organization	10	10

Table 4.4 Points in the two methods of effectiveness index

Item 2 and Item 9, with swapped weightings, resulted in the method 2 index calculation. This method has implemented on the data gathered and the results of this method have been shown in table 4.5.

Rank	Supporting Organization	Total Points
1	Authority D	81
2	Authority C	78.5
3	Authority A	74
4	Consultancy A	69.5
5	International Organization	65
6	Training B	62

7	Bank B	60
8	University D	59.5
9	Consultancy B	57
10	University B	56
11	University C	55
12	Authority B	54
13	Society B	53
14	Authority E	53
15	Society C	52
16	Bank A	51
17	University A	46
18	Society A	46
19	Training A	44

Table 4.5 **Effectiveness index results in method 2**

Comparing methods 1 and 2 can be seen clearly in table 4.6.

Method 1			Method 2		
Rank	Supporting Organization	Total Points	Supporting Organization	Total Points	Change in rank
1	Authority D	81	Authority D	81	=
2	Authority C	75.5	Authority C	78.5	↑
3	Authority A	74	Authority A	74	=
4	Consultancy A	71.5	Consultancy A	69.5	↓
5	International Organization	69	International Organization	65	↓
6	Bank B	65	Training B	62	↓
7	University D	59.5	Bank B	60	↑
8	Training B	59	University D	59.5	↑
9	Consultancy B	58	Consultancy B	57	↑
10	University B	57	University B	56	↓
11	Society B	57	University C	55	↓
12	Authority B	57	Authority B	54	↓
13	University C	56	Society B	53	↓
14	Society C	56	Authority E	53	↓
15	Authority E	52	Society C	52	=
16	Bank A	52	Bank A	51	↓
17	University A	51	University A	46	↓
18	Society A	48	Society A	46	↓
19	Training A	43	Training A	44	↑

Table 4.6 *Comparison of points in the two methods of effectiveness index*

The top 5 supporting organizations were the same in both methods. The last 4 supporting organizations were also the same at the bottom of the list. The middle range had little changes in rank but no major changes. Even the changes noticed in rank between the two methods were minor.

6. Conclusion

The literature on effectiveness was concerned with public support or government support programmes versus private support programmes (Kolonowski, 2010; OECD, 2002), whether it was at the stage of startup or at growth stage (Deakins et al., 2000), market penetration by service operators (Mole et al., 2009), the effect of support on employment growth and sales growth (Roper and Hart, 2005; Mole et al., 2009), business support public policies and programmes evaluation (Dennis, 2004; Rotger et al., 2012), concentration on the supply side of support or the demand side (Lewis et al., 2007).

One of the aims of this study was to go further and create an index of business support effectiveness. This index was based not only on the supply side (of supporting organizations), but also on the demand side (by owner-managers), who are the users of the services provided. It is extremely difficult to quantify exactly the effectiveness of a supporting organization but, nevertheless, it is an attempt to measure the effectiveness and possibly this measure could be tested in future research and built upon for a better effectiveness index. The importance of the effectiveness index includes many reasons, for the government to know which type of public support programmes are better than others to run and implement, to close the ineffective programmes and reallocate budgets, and to convince owners who paid fees in Bahrain (or taxes as it is widely known) of the importance and benefits of such spending on support programmes.

The effectiveness of supporting organizations was examined in terms of major indicators, such as the number of programmes (services) provided, the awareness of these programmes by both supporting organizations and owner-managers, the effect of the support on the SMEs, and how the supporting organization measured this effect.

The index of 100 points was created and the data gathered from 19 supporting organizations and 200 owner-managers were used to evaluate the effectiveness of each supporting organization. Two methods with different weightings have been tested and shown almost the same results (with minor differences) in evaluating supporting organizations.

It is important to note that the index was based on the results gathered from this study's sample. The points were awarded based on a minimum and maximum in a range extracted from the data of both owner-managers and supporting organizations' representatives. It is also important to note that this study's scope was wide in terms of the generalisation of the type of support studied, i.e. it has investigated different types of support such as training, the provision of loans, consultancy, education, marketing, advertising and exporting services. It might, therefore, be possible to set an index for each type of support in future studies, such as an index for training support or an index for financial organizations' support and so on. The current index created in this study also needed further validation and refinement by other researchers for the points given for each item mentioned before it could be implemented.

The study has contributed to both knowledge and practice in aspects of barriers, support and effectiveness, the study has also tried to identify the effectiveness of supporting organizations in Bahrain. A first attempt to construct an index of 100 points for supporting organizations effectiveness has been explored based on 10 criteria. The study has recommended specific suggestions based on the data gathered to improve the support provided to SMEs at the growth stage in order to overcome their barriers. This has implications for policy which hopefully improve the SMEs situation in the Kingdom.

Effectiveness index enhancement: the index that has been created in this study needs to be enhanced through a larger sample of supporting organizations and possibly through a comparative study with similar supporting organizations worldwide. Further research can, therefore, concentrate on both validating the current effectiveness index as well as creating more specific indices for each type of support such as a training support index, financial support index, marketing support index and so on.

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